



HS-330^{Q&As}

Fundamentals of Estate Planning Test

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QUESTION 1

All the following powers held by the grantor of an irrevocable trust will cause the trust assets to be brought back into the estate of the grantor EXCEPT the power to

- A. designate who shall enjoy the trust income
- B. add principal to the trust
- C. change the trust remainderpersons
- D. terminate the trust

Correct Answer: B

QUESTION 2

A father and son have been farming land owned by the father for the past 12 years. Just prior to his death, the father was offered \$900,000 for his farm because of its possible use as a shopping center. The son would like to continue to farm the land if it can be included in his father's estate at its current use value. Additional facts are:

1. Average annual gross rentals from nearby farms of similar acreage are \$36,000.
2. Average annual state and local real estate taxes on the farm are \$4,000.
3. The interest rate for loans from the Federal Land Bank is 8 percent.

For federal estate tax purposes, the farm method valuation formula would result in a current use value for the farm of

- A. \$600,000
- B. \$300,000
- C. \$500,000
- D. \$400,000

Correct Answer: D

QUESTION 3

Generally all the following statements concerning life insurance arrangements for partnership buy- sell agreements are correct EXCEPT:

- A. With an entity-purchase agreement the formula used for determining the number of life insurance policies needed is N (number of partners) + 1.
- B. With an entity-purchase agreement the partnership strives to maintain face amounts of coverage equal to its obligations under the agreement.
- C. With a cross-purchase agreement each partner purchases life insurance on the life of each of the other partners.



D. With a cross-purchase agreement the individual partners are the applicants, owners, beneficiaries and premium-payers of the policies.

Correct Answer: A

QUESTION 4

A wealthy individual might consider selling a substantially appreciated property interest in an installment sale for which of the following reasons?

1.
To spread the taxable gain inherent in the property over the period of the installments
 2.
To provide a buyer who lacks the requisite funds for a lump-sum purchase with the ability to finance the acquisition
- A. 1 only
B. Neither 1 nor 2
C. 2 only
D. Both 1 and 2

Correct Answer: D

QUESTION 5

All the following statements concerning qualification of property for the federal estate tax marital deduction are correct EXCEPT:

- A. The property interest passing to the surviving spouse must be includible in the decedent's gross estate.
- B. The property received by a surviving spouse after a successful will contest fails to qualify.
- C. The property interest must be includible in the surviving spouse's estate at death unless consumed or given away.
- D. The surviving spouse must receive the property as the beneficial owner rather than as a trustee for someone else.

Correct Answer: B